

Inspector General

United States
Department *of* Defense



Defense Contract Management Agency Santa Ana
Quality Assurance Oversight Needs Improvement

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Acronyms

CSI	Critical Safety Item
DCMA	Defense Contract Management Agency
FLSR	First Level Supervisory Review
QA	Quality Assurance
QAR	Quality Assurance Representative
QASP	Quality Assurance Surveillance Plan



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
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April 19, 2013

**MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
SANTA ANA, CONTRACT MANAGEMENT OFFICE**

SUBJECT: Defense Contract Management Agency Santa Ana Quality Assurance Oversight
Needs Improvement (Report No. DODIG-2013-069)

We are providing this report for your information and use. We considered management comments on a draft of this report when preparing the final report. We determined the nonresident quality assurance representatives assigned to four contracts for the Defense Contract Management Agency Santa Ana, California, valued at about \$278 million, did not adequately perform or document their quality assurance surveillance. Critical safety items must meet contract quality requirements to provide an acceptable level of protection. As a result, Defense Contract Management Agency Santa Ana officials provided limited assurance that 18,507 critical safety items, consisting of T-11 parachutes, oxygen masks, drone parachutes, and breathing apparatuses, met contract requirements.

The comments conformed to the requirements of DoD Directive 7650.3. Therefore, no further comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9077 (DSN 664-9077).

Jacqueline L. Wicecarver
Jacqueline L. Wicecarver
Assistant Inspector General
Acquisition and Contract Management



Results in Brief: Defense Contract Management Agency Santa Ana Quality Assurance Oversight Needs Improvement

What We Did

We determined whether the Defense Contract Management Agency (DCMA) Santa Ana contract management office performed quality assurance (QA) procedures and oversight of contractors in accordance with applicable policies for critical safety items (CSIs). For this audit, we reviewed QA oversight of four contracts valued at about \$278 million.

What We Found

The DCMA Santa Ana quality assurance representatives (QARs) assigned to four contracts did not adequately perform or document their QA surveillance.

For all four contracts, QARs did not:

- develop QA surveillance plans to mitigate risk,
- plan and perform reviews of key manufacturing processes, and
- execute or adequately perform product examination before final acceptance.

This occurred primarily because first level supervisors did not provide oversight of the nonresident QARs to minimize the risk of defective CSIs reaching the warfighter.

As a result, DCMA Santa Ana officials provided limited assurance that 18,507 critical safety items, consisting of T-11 parachutes, oxygen masks, drone parachutes, and breathing apparatuses met contract requirements.

What We Recommend

We recommend that the Director, DCMA Santa Ana contract management office:

- verify that QARs developed adequate QA surveillance plans and performed process reviews and product examinations;
- certify that the supervisory reviews of QARs were accurate, complete, and timely; and
- perform a risk analysis in coordination with Service Engineers to identify QA risk areas and determine the need to recall or restrict the use of CSI items previously accepted.

Management Comments and Our Response

The Director, DCMA, responded for the Director, DCMA Santa Ana contract management office. He agreed with recommendations that the Director, DCMA Santa Ana contract management office, verify that QARs develop adequate QA surveillance plans and perform process reviews, and product examinations. He agreed with recommendations that the Director, DCMA Santa Ana contract management office, perform a risk analysis to identify QA risk areas and review the actions of the first level supervisors related to inadequate oversight of QARs. He partially agreed with the recommendation that the Director, DCMA Santa Ana contract management office certify the supervisory reviews of QARs were accurate, complete, and timely. The comments were responsive, and the actions met the intent of the recommendations. Please see the recommendations table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, Defense Contract Management Agency Santa Ana contract management office		1.a, 1.b, 1.c, 2, 3, 4

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Introduction

Objectives

The audit objective was to determine whether the Defense Contract Management Agency (DCMA) was performing quality assurance (QA) procedures and oversight of contractors in accordance with applicable policies for critical safety items (CSIs), such as parachutes, fire resistant fabrics, pressurized oxygen masks, and chemical protective clothing. For this audit, we reviewed QA oversight of four contracts, at the DCMA Santa Ana contract management office, for parachutes, aviation oxygen masks, and breathing apparatuses. DCMA Santa Ana did not have oversight of contracts for fire resistant fabrics and chemical protective clothing that met our selection criteria. See Appendix A for discussion of the audit scope and methodology, and prior audit coverage.

Background

According to DCMA, it provides a full spectrum of contract services that include QA services to verify that contractors deliver products on time and at projected cost and meet contract performance requirements. As of June 2012, 46 DCMA contract management offices managed 337,000 active contracts with an obligated value of \$1.7 trillion.

DCMA Santa Ana is a contract management office within the Western Regional Command. At DCMA Santa Ana, about 366 civilian and military employees, with 1,504 active contractors, manage more than 20,337 contracts, valued at \$38 billion.

DCMA QA Surveillance Overview

DCMA Instruction 226, “First Level Supervisory Review-QA,” August 2010, requires that supervisors perform a first level supervisory review (FLSR) to evaluate the surveillance procedures performed by quality assurance representatives (QARs). Supervisors of personnel performing Government contract QA must schedule and conduct periodic reviews to verify that QARs perform the work required in DCMA Instructions, document results, and promptly address deficiencies. Appendix B contains the DCMA Quality Assurance criteria.

DCMA performs QA oversight to verify products and services conform to contract quality requirements before Government acceptance. DCMA Instruction 226-11, “[Government Contract Quality Assurance] Surveillance Planning,” April 2010, requires QARs to develop risk-based quality assurance surveillance plans (QASPs) to monitor contractors’ performance. QARs should identify critical product characteristics and key manufacturing processes at risk of producing defective products. In addition, QARs should establish surveillance strategies and techniques to mitigate the risk of defective products. Strategies include defining the frequency and types of process inspections and product examination.

For the contracts we reviewed, DCMA assigned nonresident QARs to each of the four contractors’ facilities. Nonresident QARs have oversight responsibility for multiple contractor facilities.

Contracts for CSIs

A CSI is a part, assembly, installation, or production system with one or more essential characteristics that, if not in conformance with the design data or quality requirements, would result in an unsafe condition that could cause loss or serious damage to the end item or major components, loss of control, or serious injury to the user. We reviewed four CSI contracts to evaluate DCMA Santa Ana's performance of QA procedures and oversight. Table 1 provides a summary of the contracts, products, contract amount, and quantities purchased for the four contracts.

Table 1. Overview of the Four Contracts

Contract Number	Issued By	Product Provided	Contract Value (in thousands)	Quantity Purchased
W911QY-10-D-0003 (active)	NATICK Contracting Division	T-11 Parachute System	\$220,000	11,907 ¹
SPM4A7-07-D-3127 (active)	Defense Supply Center Richmond	MBU-20/P Oxygen Mask	57,613	5,957 ²
SPM4A7-10-C-0568 (complete)	Defense Supply Center Richmond	Drone Parachute	428	293
SPM8EJ-11-M-0155 (complete)	Defense Logistics Agency Troop Support	Breathing Apparatus	150	350
Total			\$278,191	18,507

¹Quantity purchased as of December 2011 according to the QAR.

²Quantity purchased from December 2006 through September 2011.

Defense Contract Management Agency Annual Statements of Assurance Identified Quality Assurance as a Weakness

DCMA identified QA as a weakness in its Annual Statements of Assurance for FYs 2009 through 2012. As a result, as of July 2012, DCMA revised QA Instructions and training and continues developing a QA information management tool. In addition, DCMA initiated FLSRs in August 2010. Subsequently, DCMA Santa Ana identified QA as a weakness in its FY 2010 manager's internal control reviews and Annual Statement of Assurance. DCMA Santa Ana officials stated high contract turnover rate of contracts

received and closed per month, staff turnover, and inexperienced staff contributed to QA deficiencies. DCMA Santa Ana began corrective actions in February 2010 in response to the identified QA deficiencies. These corrective actions included internal operating instruction revisions and training for QARs.

DCMA Santa Ana requested additional resources through a program objective memorandum in May 2010. In January 2011, a DCMA Santa Ana management review team closed corrective actions, such as internal operating instruction revisions and training for QARs. An October 2011 DCMA Santa Ana mission review identified that QA deficiencies defined in the 2010 management internal control review persisted. Although DCMA Santa Ana planned to perform a follow-up manager's internal control review in March 2012, DCMA Santa Ana completed two—one in May 2012 and another in September 2012.

In the May 2012 follow-up manager's internal control review of contract technical reviews and data collection and analysis, DCMA Santa Ana identified six findings and two successful practices. The findings included that QARs did not perform data collection and analysis consistently in accordance with DCMA Instructions. In addition, a QAR did not maintain evidence supporting that he performed contract technical reviews for contracts or modifications. The successful practices were that QARs used a spreadsheet to track contracts they reviewed and the new Government contract QA log is helpful to track corrective action requests.

In the September 2012 follow-up managers' internal control review corrective action plan of surveillance planning, delegations, and random sampling, DCMA Santa Ana identified 118 reportable conditions, including that QARs did not perform product exams, process reviews, quality system audits, and data collection and analysis.

DCMA Santa Ana identified 118 reportable conditions and prepared 66 corrective action plans. As of September 2012, DCMA Santa Ana had completed 31 corrective action plans, but 35 remained open.

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program (MICP) Procedures," July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs operate as intended and to evaluate the effectiveness of the controls. We identified an internal control weakness: DCMA Santa Ana internal controls over the QA surveillance process of the nonresident QARs were not effective for the four contracts reviewed. Supervisors did not perform adequate reviews of the QARs' performance. We will provide a copy of the report to the DCMA senior official in charge of internal controls.

Finding: Quality Assurance Surveillance for Critical Safety Items Needs Improvement

The DCMA Santa Ana nonresident QARs assigned to four contracts, valued at about \$278 million, did not adequately perform or document their QA surveillance over the contracts. Specifically, for all four contracts, QARs did not:

- develop QASPs that explained how the QAR intended to mitigate the risk of defective CSIs. For example, the QAR for the oxygen mask contract did not include the frequency and intensity of a surveillance activity to verify oxygen masks met contract quality requirements.
- plan and perform reviews of key manufacturing processes to monitor whether contractors produced items in accordance with contract requirements. For example, the QAR for the drone parachute contract stated he did not perform any reviews of key manufacturing processes because he had responsibility for overseeing 37 contractors.
- execute or adequately perform product examinations to verify whether final products met contract requirements. For example, the QAR for the T-11 parachute contract did not perform final product examinations for 25 shipments of 2,582 T-11 parachutes.

This occurred primarily because first level supervisors did not provide adequate oversight of nonresident QARs to minimize the risk of defective CSIs reaching the warfighter. As a result, DCMA Santa Ana officials provided limited assurance that 18,507 critical safety items, consisting of T-11 parachutes, oxygen masks, drone parachutes, and breathing apparatuses, met contract requirements.

Planning Surveillance Needs Improvement

DCMA Santa Ana QARs did not develop QASPs that explained how the QAR intended to mitigate the risk of defective CSIs. Specifically, some QASPs did not include surveillance methodology, identification of CSIs, and critical characteristics. In addition, some of the QASPs did not include the frequency and intensity of surveillance activities and the customer communication requirements for monitoring the four CSI contracts to mitigate quality and technical risks.

QASPs are either contract-specific or facility-specific. The QASPs for the four contracts we reviewed covered the contractors' facilities; however, the QARs did not develop surveillance strategies that met minimum requirements for CSIs in the facility QASPs. The QASPs should also include techniques to reduce risk factors and planned procedures for surveillance activities.

DCMA Instruction 226-3, “Critical Safety Items,” June 2009, requires QARs to determine the appropriate strategy for initial and continuing surveillance of CSIs and document the strategies in a surveillance plan. The instruction further explains, “DCMA surveillance is intensively focused on Critical Safety Items (CSIs) to mitigate risk of failure of those items.” In addition, DCMA Instruction 226-11, “GCQA Surveillance Planning,” April 2010, requires QARs to develop risk-based QASPs to address each characteristic, product, process, or system they identify as a potential risk. Table 2 identifies the requirements not met in the QASPs for each contract.

Table 2. Minimum CSI Surveillance Requirements Not Met in QASPs

DCMA Instruction No. 226-3 Minimum Requirements	Deficiency			
	T-11 Parachute	Oxygen Mask	Drone Parachute	Breathing Apparatus
Surveillance methodology	X		X	X
Identification of CSI		X	X	X
Critical characteristics	X	X	X	X
Frequency and intensity of surveillance activities		X	X ¹	
Customer communication requirements	X	X	X	

¹ Beginning August 2011, the QASPs included frequency and intensity.

Minimum Requirements of Surveillance Strategy Not in QASPs

The QARs for the oxygen mask contract did not identify CSIs, critical characteristics, frequency and intensity of a surveillance activity, or customer communication requirements in the QASP as required by DCMA Instruction 226-3. The QAR could not guarantee the customer received supplies that met the quality and technical requirements in the contract because the QASPs did not contain the minimum required information for the CSI surveillance strategy.

In addition, the QASP did not include surveillance activities, such as reviews of key manufacturing processes, which match the risk level and verification that oxygen masks met contract quality and technical requirements. For instance, the QAR documented the risk level for acceptance testing as “low” because the QAR conducted weekly reviews. However, DCMA Instruction 226-11 states the QAR should determine the level of risk before he determines the frequency of surveillance. The QAR incorrectly based the risk level on his then-current frequency of surveillance instead of first determining the risk level and adjusting his frequency of surveillance to match. The QAR identified the risk level as “low,” but higher risk should increase the intensity and frequency of surveillance.

If the QAR does not first determine the risk level, a temporary or replacement QAR might decrease the frequency of review to match the risk level the previous QAR

DCMA Santa Ana is at greater risk of accepting oxygen masks that may not meet contract requirements.

documented in the QASP. Therefore, the QAR surveillance procedure may not occur frequently enough, and replacement QARs may decrease their reviews and cause higher risk in acceptance testing. As a result, DCMA Santa Ana is at

greater risk of accepting oxygen masks that may not meet contract requirements and provide the intended level of safety to the warfighter.

Designing Surveillance To Reduce the Risk of Defective Items

QARs did not develop QASPs that minimized the risk of defective CSIs on the four contracts. The QAR for the drone parachute contract did not adequately document his rationale for the risk assessment of the potential for defective CSI manufacturing processes. For example, in the March 2010 QASP, the QAR assessed facility risk for 12 key manufacturing processes as “moderate” without explaining how he reached that conclusion. Additionally, the QAR did not identify the surveillance methods or the frequency and intensity of surveillance activities needed to monitor the 12 key manufacturing processes.

Furthermore, the QAR for the drone parachute contract developed an updated risk-based QASP in August 2011 as required by DCMA instructions; however, the updated QASP contained inconsistent risk information the QAR’s supervisor reviewed and approved in November 2011. For example, the QAR included the following risk statement in the risk statement generator section: “Product/items have major & critical characteristics that are hidden at end item inspection, therefore requires in process inspection prior to next operation.” DCMA Instruction 226-11 requires the QAR to transfer risk statements to the risk profile and plan section of the QASP, to determine the cause of the risk and the probability of risk occurring, and to establish surveillance methods to mitigate that risk. However, none of the risk statements in the risk profile and plan tab addressed process inspection before the next operation. Complete and accurate risk information is necessary for the QAR and replacement QARs to mitigate risk and to update the QASP without recreating the process. Before the QAR’s supervisor approved the QASP, she should have verified that the QASP contained all the risk information.

DCMA Santa Ana officials stated that high contract turnover rate of contracts received and closed per month, staff turnover, and inexperienced staff contributed to QA deficiencies. The Director, DCMA Santa Ana, should establish procedures to verify that QARs develop QASPs in accordance with DCMA Instructions. Additionally, the Director should perform a risk analysis in coordination with Service Engineers for the T-11 parachutes, oxygen masks, drone parachutes, and breathing apparatuses to identify QA risk areas and to determine the need to recall or to restrict the use of CSIs previously accepted.

Reviews of Key Manufacturing Processes Need Improvement

QARs did not plan and perform reviews of contractors' key manufacturing processes to monitor whether contractors produced items in accordance with contract requirements for all four contracts. DCMA Instruction 226-13, "Process Review-QA," June 2011, requires QARs to "determine the suitability, adequacy, effectiveness, and consistency of the supplier's processes to meet contractual requirements and to provide a basis of confidence for product/service acceptance." The instruction states that applicable risk impact determines the scope of each review and that a review of all process elements is required when the risk impact is high. When the risk impact is moderate or low, however, the review may cover all the elements or selected portions.

The QAR for the T-11 contract did not define the scope or document the parachute stitching process reviews in the QASP. In addition, the QAR did not determine whether the contractor's stitching processes consistently produced conforming CSIs. Instead, he reviewed stitching processes only if he identified defects. For example, the QAR waited until final inspection to review T-11 parachute stitches, and whenever he noticed anything he considered "out of line," he reviewed the manufacturing process.

At one final inspection, he found oil stains on the parachute, which resulted in a non-conforming product. The QAR determined that in the stitch process, the contractor added too much oil to the stitching needle. According to Military Standard 849C, "Department of Defense Standard Practice Inspection Requirements, Definitions and Classifications of Defects for Parachutes," July 2001, unclean material is a "major/critical" defect. To prevent the reoccurrence of nonconforming CSIs, the QAR should plan and perform contractor manufacturing process reviews in compliance with DCMA Instructions and the QA letter of instruction. The letter provides detailed instructions to the QAR to perform specific tasks and oversight requirements to monitor product quality and consistent process performance on the part of the contractor.

QARs for the oxygen mask contract did not perform manufacturing process reviews from

QARs for the oxygen mask contract did not perform manufacturing process reviews from May 2009 through May 2011.

May 2009 through May 2011. QARs accepted 3,028 CSI oxygen masks and approved shipment to the warfighter. The QARs' second-level supervisor explained that she could not locate the QARs' records. As a result, DCMA had no assurance that the oxygen mask contractor used consistent manufacturing processes for the 3,028 CSI oxygen masks the QAR

accepted from May 2009 through May 2011.

Similarly, the QAR for the drone parachute contract did not review any key manufacturing processes from July 2010 through June 2011. The QAR stated he did not perform reviews of the key manufacturing processes because he oversaw too many contractors. DCMA Santa Ana data showed that the QAR oversaw 37 contractors.

The Director, DCMA Santa Ana, should establish procedures to verify that QARs plan and review key manufacturing processes according to DCMA Instructions.

Improving Product Examinations

QARs did not execute or adequately perform product examinations before final acceptance, as required by DCMA Instruction 226-14 “Product Examination-QA,” October 2011, on the four contracts. Product examination is one method that QARs use to detect and prevent defective CSIs before Government acceptance. QARs must record product examinations and maintain records for data collection and analysis to monitor contractors’ performance.

For example, the QAR for the T-11 parachute contract did not perform ripcord pull tests as required by the contract. Test procedures for the ripcord pull tests required the QAR to test how much force the jumper would need to pull out the ripcord; however, the QAR’s document to support a ripcord test depicted the measurement of a ripcord’s length. The QAR stated that he performed numerous ripcord tests, but he did not document them and could not explain the reason for the lack of test documentation.

Furthermore, the QAR did not inspect 774 of the 810 parachute snap hook assemblies. The QA letter of instruction required the QAR to inspect 10 percent of the 8,100 T-11 parachute snap hook assemblies accepted from July 2010 through November 2011. However, the QAR inspected only 36, or 4 percent, of the 810 T-11 parachute snap hook assemblies.

In addition, the QAR did not check required critical-to-quality measurements of T-11 parachutes for 25 of 82 shipments. The contract required the QAR for the T-11 parachute contract to check critical-to-quality measurements during final acceptance inspection.

The QAR did not perform critical-to-quality measurements for the other 25 accepted shipments of 2,582 T-11 parachutes.

The specifications required the QAR to measure critical parachute parts and verify precise lengths, widths, symmetry, and so forth, for optimum performance and user safety. The QAR inspection records show that he documented critical-to-quality measurements for 57 of the 82 T-11 parachute shipments. Accordingly, the QAR did not perform

critical-to-quality measurements for the other 25 accepted shipments of 2,582 T-11 parachutes, valued at \$8.8 million.

The QAR for the T-11 parachute contract incorrectly selected lot sample sizes for final acceptance testing. He divided 14 of the 82 shipments accepted from March 2011 through January 2012 into smaller sized lots of unknown size and then selected his sample from the smaller lots. The QA letter of instruction requires the QAR to select a sample size of 8 for shipments of 200 parachutes. The QAR incorrectly selected four samples from the lots for final acceptance testing when he divided the shipment into two lots. The QAR must base the sample size on the guidance for the specific lot quantity. The QAR did not follow contract guidance or DCMA policy for the accepted lots.

The Director, DCMA Santa Ana, should establish procedures to verify that QARs performed product examinations according to DCMA Instruction 226-14.

Improving First Level Supervisory Oversight

For all four contracts, the first level supervisors did not provide adequate oversight of QARs to minimize the risk of defective CSIs reaching the warfighter.

DCMA Instruction 226 requires supervisors of personnel performing Government contract QA to schedule and conduct periodic reviews to verify that assigned personnel perform work outlined in DCMA QA Instructions. This instruction requires the supervisor to conduct a monthly work sample for each employee and a full review at intervals of no greater than 6 months. Also, this instruction states that under no circumstances should the work sample interval be longer than quarterly and the full review greater than 12 months. This instruction states that first level supervisors must conduct reviews using an established evaluation plan, document the review results, and address QAR deficiencies promptly. To document the FLSR, DCMA created a form with 20 sections to identify mandatory aspects of DCMA QA Instructions to review as part of the supervisory review.

None of the first level supervisors completed timely or complete reviews of QARs' performance for the four contracts. Specifically, the first level supervisor for the QAR on the contract for:

- T-11 parachutes did not complete the FLSR; the supervisor completed only 4 of the 20 required QA sections in the supervisory review form.
- oxygen masks did not conduct monthly work sample reviews or schedule a full review within the 12-month interval; instead, the supervisor scheduled the next full review 14 months after the last full review. In addition, although she noted in the FLSR that the QAR did not complete a data analysis as specified in the QASP, she did not schedule or perform the required reevaluation.
- drone parachutes did not conduct his review until almost 13 months after the contract award. The review was incomplete because the supervisor addressed only 3 of the 20 required QA sections on the supervisory review form. The supervisor did not identify the QAR developed an inadequate QASP, the QAR did not review manufacturing processes from July 2010 through June 2011, and the QAR did not correctly select a lot sample size for product examination.
- breathing apparatuses conducted one FLSR in October 2011 and completed 19 of the 20 required QA sections but did not include two of the seven minimum requirements in the FLSR. For the seven minimum requirements, the supervisor did not include in the FLSR his evaluation methods and follow-up actions for areas needing improvement for the first article test and risk assessment.

First level supervisors stated that the FLSR was extensive and time-consuming. However, DCMA issued Instruction 226 in August 2010 requiring all first level supervisors to review QAR performance.

The FLSR is a management internal control to verify that QARs performed QA activities and provided a mechanism for QAR feedback on their performance. However, because first level supervisors did not inform QARs they needed to correct deficiencies in their QA surveillance activities, first level supervisors did not effectively implement the FLSR.

The QARs' inadequate surveillance increased the risk that CSIs procured on the four contracts did not meet the contract quality requirements. According to DCMA Instruction 226-3, nonconforming CSIs "would likely cause serious injury or death to the user." The Director, DCMA Santa Ana, should review the actions of the first level supervisors related to inadequate oversight of QARs and, as appropriate, initiate administrative action.

Because the first level supervisors did not complete FLSRs in accordance with the DCMA Instruction, the Director, DCMA Santa Ana, should establish procedures to certify annually that all DCMA Santa Ana FLSRs are accurate, complete, and timely, as required in DCMA Instructions. Establishing such procedures will help strengthen controls that first level supervisors complete FLSRs in accordance with the DCMA Instruction and that QARs both receive feedback on their performance and correct deficiencies in their QA surveillance activities.

Conclusions

DCMA Santa Ana QA personnel did not perform adequate QA surveillance on four CSI contracts valued at about \$278 million. Although DCMA Santa Ana officials cited QA as a significant weakness since 2010, DCMA Santa Ana actions did not substantially improve QA surveillance for CSIs. As a result, DCMA Santa Ana QA officials did not minimize the risk that about 18,507 CSIs met contract quality requirements and have little assurance that the CSIs would provide the warfighter with an acceptable level of protection. Improved QAR surveillance activities are essential to verifying that CSIs conform to contract requirements before QARs accept them on behalf of the Government.

Recommendations, Management Comments, and Our Response

We recommend the Director, Defense Contract Management Agency Santa Ana contract management office:

- 1. Establish procedures to verify that each quality assurance representative:**
 - a. develops quality assurance surveillance plans as required by Defense Contract Management Agency Instructions 226-3, "Critical Safety**

Items (CSI),” June 2009; 226-10, “Risk Assessment-QA,” April 2010; and 226-11, “GCQA Surveillance Planning,” April 2010;

Management Comments

The Director, DCMA, responded for the Director, DCMA Santa Ana contract management office. He agreed and stated that as of February 2013 first level supervisors had developed and approved QASPs for all DCMA Santa Ana CSI contractors. He stated that in 2012, DCMA Santa Ana began dedicating one day each week to developing surveillance strategies and conducted seven workshops on developing QASPs. The Director, DCMA, stated DCMA Santa Ana instituted internal controls that require audits of QASPs to ensure compliance with DCMA policies and DCMA Santa Ana operating instructions. He stated the audits would begin April 1, 2013. He stated quality group leaders would complete a review of all quality assurance letters of instruction for CSI contracts by June 30, 2013, to ensure that mandatory customer requirements are incorporated into the QASPs and that DCMA CSI requirements are being met. The Director, DCMA, stated the DCMA Santa Ana contract management office would implement procedures to identify and track new CSI contractors by May 31, 2013. He stated the new procedure would ensure that all CSI contractors receive proper surveillance in accordance with DCMA policies.

- b. plans and reviews key manufacturing processes as required by Defense Contract Management Agency Instruction 226-13, “Process Review-QA,” June 2011; and**

Management Comments

The Director, DCMA, responded for the Director, DCMA Santa Ana contract management office. He agreed and stated that key manufacturing processes are now planned, identified, and reviewed in accordance with DCMA guidance. He also stated DCMA Santa Ana contract management office has and continues to use QA engineers to assist QARs on process reviews and analyses at CSI facilities. The Director, DCMA, stated individual performance plans require tracking and monthly reporting of process reviews to the contract management office leadership. In addition, he stated a review of the key manufacturing processes for the T-11 parachute in September 2012 resulted in three corrective action requests. He stated a QA system audit on the drone parachute contractor in March 2013, resulted in nine corrective action requests. He stated that because of those corrective action requests, the contractors have taken the necessary corrective actions or corrective actions plans are being developed.

- c. performs product examinations as required by Defense Contract Management Agency Instruction 226-14, “Product Examination-QA,” October 2011.**

Management Comments

The Director, DCMA, responded for the Director, DCMA Santa Ana contract management office. He agreed and stated the DCMA Santa Ana contract management

office uses FLSRs, reviews of QAR work product samples, and the contract management office-enterprise government contract quality assurance activity database to ensure QARs perform product examinations in accordance with requirements. He stated DCMA plans a review in April 2013 to verify the DCMA Santa Ana contract management office's compliance with the established procedures.

2. Perform a risk analysis in coordination with Services Engineers for the T-11 parachutes, oxygen masks, drone parachutes, and breathing apparatuses to identify quality assurance risk areas and to determine the need to recall or restrict the use of critical safety items previously accepted.

Management Comments

The Director, DCMA, responded for the Director, DCMA Santa Ana contract management office. He agreed and stated the DCMA Santa Ana contract management office coordinated with the contract customers and completed a risk analysis for the T-11 parachutes. The Director, DCMA, stated that after further review of the drone parachute contract, the drone parachute is a critical application item and not a CSI. He stated that the QAR's surveillance was based on the item being a critical application item and therefore, no further action was required. The Director, DCMA, stated that, for the oxygen masks, the DCMA Santa Ana contract management office contacted the engineering support activity and requested a joint risk analysis be performed. He stated the DCMA Santa Ana contract management office is still waiting for the engineering support activity's response and will continue to follow-up to ensure the risk analysis is performed. The Director, DCMA, stated that for the breathing apparatus, a DCMA Santa Ana contract management office review of the contractor's manufacturing process was performed to determine potential risks. Additionally, he stated that the user has not identified any product failures from the items that have been shipped.

3. Review the actions of the first level supervisors related to inadequate oversight of nonresident QARs and, as appropriate, initiate administrative action.

Management Comments

The Director, DCMA, responded for the Director, DCMA Santa Ana contract management office. He agreed and stated QA group leaders plan to review FLSRs and communicate the results to the Director, DCMA Santa Ana contract management office in 2013. He stated the Director, DCMA Santa Ana contract management office, established a metric to track FLSRs. He stated DCMA developed an application to track FLSR schedules and completion dates. He stated DCMA Santa Ana would fully transition to this application by January 2014. The Director, DCMA, stated that group and team leaders received an oral admonishment during their annual performance reviews in 2012 for not fully executing the FLSR policy. The Director, DCMA, also stated individual QA performance plans now include a rating element to measure performance and adequacy of FLSRs.

4. Establish procedures to certify annually that all first level supervisor reviews are accurate, complete, and timely according to Defense Contract Management Agency Instruction 226, “First Level Supervisory Review-QA,” August 2010.

Management Comments

The Director, DCMA, responded for the Director, DCMA Santa Ana contract management office. He partially agreed and stated that DCMA policy does not require the Director, DCMA Santa Ana contract management office, to perform an annual certification. He stated the Director, DCMA Santa Ana contract management office, reviews FLSRs for compliance, completeness, and timeliness. He stated that in 2012, DCMA Santa Ana began monthly performance management reviews and quarterly functional management review. He stated the reviews resulted in 100 percent completion of FLSRs. He stated the Director, DCMA Santa Ana contract management office, would document DCMA Santa Ana’s performance in their annual statement of assurance submission to DCMA Headquarters. In addition, he stated all functional group leaders performance plans include an element that requires them to demonstrate they regularly evaluate and document the adequacy of FLSRs, provide feedback to the supervisor that performed the FLSR, and request and follow-up on corrective actions.

Our Response

Comments from the Director, DCMA for the Director, DCMA Santa Ana contact management office were responsive, and the actions met the intent of the recommendations. No further comments are required.

Appendix A. Scope and Methodology

We conducted this performance audit from August 2011 through February 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted this audit at DCMA Santa Ana and two of its subordinate offices: San Diego and Ontario, California. We visited Airborne Systems North America, Santa Ana, California; FXC Corporation, Santa Ana, California; Gentex Corporation, Rancho Cucamonga, California; and U.S. Divers Company Incorporated, Vista, California.

We obtained open CSI contracts with corrective action reports managed by all DCMA contract management offices. We nonstatistically selected the T-11 parachute contract, valued at \$220 million and managed by DCMA Santa Ana, based on its dollar value and corrective action reports. We subsequently selected an additional 3 open CSI contracts from a list of 139 at DCMA Santa Ana. DCMA Santa Ana did not have oversight of contracts for fire resistant fabrics and chemical protective clothing that met our selection criteria. The selected contracts enabled us to review QA operations at three facilities managed under DCMA Santa Ana. In total, we reviewed four contracts in which QARs accepted shipments of more than 18,507 CSIs, valued at about \$278 million, from December 2006 through December 2011.

We interviewed DCMA Santa Ana QARs, QA team leaders and supervisors, QA group leaders, and contract management office Santa Ana officials. We interviewed key personnel at Airborne, Gentex, FXC, and U.S. Divers. We toured contractors' facilities to observe manufacturing processes and associated QA controls. We observed QA surveillance performed by each responsible QAR at each manufacturing facility. Furthermore, we observed how QARs selected lot samples and performed product examination of CSIs' critical or significant characteristics. Production for the FXC contract was completed; therefore, the QAR demonstrated his sample selection technique from lots in a different contract.

We obtained and reviewed Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, DCMA Instructions, and DCMA Santa Ana Operations Instructions. We obtained and reviewed contract QA documents for the four CSI contracts. We reviewed and analyzed base contracts, contract modifications, QASPs, process reviews, product examinations, product quality deficiencies reports, contract technical reviews, training records, receiving reports, a corrective action report, and a QA letter of instruction.

Use of Computer-Processed Data

We did not rely on computer-processed data.

Use of Technical Assistance

A mechanical engineer from the Technical Assessment Division, Office of the Deputy Inspector General for Policy and Oversight, assisted with this audit. He accompanied the audit team to DCMA Santa Ana and toured manufacturing facilities at Airborne Systems North America, FXC, and U.S. Divers. He provided observations on DCMA QA procedures and oversight.

The Technical Director, DoD Inspector General Quantitative Methods Division, reviewed audit documents and advised us on the validity of QA sampling processes.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and DoD Inspector General have issued seven reports discussing DCMA QA problems. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

GAO

Report No. GAO 12-83, “Defense Contract Management Agency: Amid Ongoing Efforts to Rebuild Capacity, Several Factors Present Challenges in Meeting Its Missions,” November 3, 2011

DoD Inspector General

Report No. DODIG-2012-060, “Defense Contract Management Agency’s Investigation and Control of Nonconforming Materials,” March 9, 2012

Report No. D-2011-088, “Ballistic Testing for Interceptor Body Armor Inserts Needs Improvement,” August 1, 2011

Report No. D-2011-030, “Ballistic Testing and Product Quality Surveillance for the Interceptor Body Armor-Vest Components Need Improvement,” January 3, 2011

Report No. D-2010-051, “Defense Contract Management Agency Acquisition Workforce for Southwest Asia,” April 8, 2010

Report No. D-2010-035, “Defense Logistics Agency Contracts for M2 Machine Gun Spare Parts in Support of Operations in Southwest Asia,” January 11, 2010

Report No. D-2009-074, “Review of Defense Contract Management Agency Support of the C-130J Aircraft Program,” June 12, 2009

Appendix B. Defense Contract Management Agency Quality Assurance Criteria

DCMA Instruction 226, “First Level Supervisory Review-QA,” August 2010, requires supervisors of personnel performing Government contract QA to schedule and to conduct periodic reviews to verify assigned personnel perform the work required in the DCMA QA Instructions. The instruction also requires the supervisor to document review results and promptly correct deficiencies.

DCMA Instruction 226-3, “Critical Safety Items (CSI),” June 2009, requires QA personnel to determine the appropriate strategy for initial and continuing surveillance of CSIs. Instruction 226-3 states that QARs are to document the CSI surveillance strategy in a surveillance plan. As a minimum, the plan is to include:

- identification of CSIs,
- critical characteristics,
- important manufacturing processes,
- significant characteristics,
- surveillance methodology,
- intensity and frequency of surveillance,
- nonconforming material authority, and
- customer communication requirements.

DCMA Instruction 226-10, “Risk Assessment-QA,” April 2010, provides the requirements for planning, performing, and documenting the risk assessment. Instruction 226-10 requires the Risk Profile and Plan to provide easily retrievable objective evidence to justify decreasing or increasing the Government contract QA surveillance efforts. The QAR should address six areas in the risk profile and plan the following: Facility Process List; Risk Impact (Risk Statement Generator); Risk Statements (Risk Profile and Plan); Performance Factors Assessment; Risk Causes; and Risk Likelihood Assessment (Risk Profile and Plan). Instruction 226-10 also requires QA personnel to use the Risk Statement Generator to develop risk statements and document those statements and their associated risk impact rating (High, Moderate, or Low) on the Risk Profile and Plan. Risk statements answer the question, “What do we want to make sure doesn’t happen?” The Risk Statement Generator contains the minimum indicators associated with conditions or circumstances that would typically indicate a higher impact or consequence should the risk statement occur.

DCMA Instruction 226-11, “GCQA Surveillance Planning,” April 2010, requires QA personnel to develop a risk-based Government contract QA surveillance plan. The purpose of the Instruction is “to document a Government Contract Quality Assurance (GCQA) surveillance plan that defines the methodologies and techniques to reduce the likelihood of risk causes and establish a basis of confidence that the supplies meet the quality and technical requirements of the contract.”

Furthermore, Instruction 226-11 states:

Surveillance plans shall identify or reference the planned surveillance activities that address each risk statement and risk cause identified during contract technical review and risk assessment. The plan shall address each characteristic, product, process, or system identified as a potential risk cause and identify the method(s), frequency, intensity (formerly level of effort), and if applicable, schedule of surveillance.

DCMA Instruction 226-13, “Process Review-QA,” June 2011, states, “Determine the suitability, adequacy, effectiveness and consistency of the supplier’s processes to meet contractual requirements and to provide a basis of confidence for product/service acceptance.” Instruction 226-13 requires the following six key processes for QA personnel to follow:

- determine processes to review,
- document the scope of each review,
- determine the appropriate review method for each process,
- conduct the process review for each process,
- document results, and
- notify the supplier of the results.

The Instruction states: “Items with CSI requirements have an associated list of important manufacturing processes [that] may be used as a planning tool in performing Process Review for any complex item.”

DCMA Instruction 226-14, “Product Examination-QA,” October 2011, states product examination is to “determine the reliability of the supplier’s inspection system or quality system/program to produce conforming product.” Instruction 226-14 states, “Product Examination is a method to determine one or more physical characteristics of the product.” Product examination consists of four techniques: inspection, testing, witness, and verification. The product examination technique should be planned and identified in the surveillance plan. Instruction 226-14 also requires the use of statistically valid random sampling techniques.

DCMA Santa Ana Operation Instruction 11-OI-020, “DCMA Santa Ana GCQA Surveillance Planning,” January 2011, states DCMA supervisors are to review and approve all Surveillance Plans.

Defense Contract Management Agency Santa Ana Contract Management Office Comments



DEFENSE CONTRACT MANAGEMENT AGENCY
3901 A AVENUE, BUILDING 10500
FORT LEE, VIRGINIA 23801

MAR 22 2013

MEMORANDUM FOR DEPARTMENT OF DEFENSE, OFFICE OF THE INSPECTOR GENERAL

SUBJECT: DCMA Response to the recommendations for the Draft Report, "Defense Contract Management Agency Santa Ana Quality Assurance Oversight Needs Improvement" Project No. D2011-D000CD-0248.000 dated February 20, 2013

Reference: Email Request dated February 20, 2013 from DODIG [REDACTED]

The Defense Contract Management Agency submits the attached comments on the subject audit as requested. The point of contact for external audit liaison is [REDACTED]
[REDACTED]

Charlie E. Williams, Jr.
Director

Attachments: As stated

cc:
USD(AT&L)
ASD(A)

DCMA Response to the recommendations for the Draft Report, "Defense Contract Management Agency Santa Ana Quality Assurance Oversight Needs Improvement"
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DoD IG Recommendation 1.a: Establish procedures to verify that each Quality Assurance Representative develops Quality Assurance Surveillance Plans as required by Defense Contract Management Agency Instructions 226-3 "Critical Safety Items (CSI)," June 2009; 226-10, "Risk Assessment-QA" April 2010; and 226-11 "GCQA Surveillance Planning," April 2010;

DCMA Response: Concur. All QASPs are now developed and approved by First Line Supervisors (FLS) for all DCMA Santa Ana 142 CSI suppliers that require surveillance plans. Beginning in CY 2012, DCMA Santa Ana mandated that one day each week be dedicated to developing compliant and effective surveillance strategies; documenting these strategies into the QASPs; analyzing existing plans for effectiveness; and updating plans as needed. The CMO conducted seven QASP workshops in 2012 focused solely on developing compliant QASPs with the FLS and QA workforce.

By 31 Dec 2012, the DCMA Santa Ana had assessed that 95.4% of its required QASPs had been adequately developed by its QARs and approved by their FLS. As of 28 Feb 2013, 100% of the CMO's 438 total suppliers, including its 142 CSI suppliers, had approved QASPs in effect.

DCMA Santa Ana's internal controls now require that all Quality Group Leaders continuously sample FLS approved QASPs during unannounced audits to ensure full compliance to all current Agency policies and CMO Operating Instructions. The reviews will also include a review of supplier data in order to ascertain if strategies should be updated. If non-compliances are identified, corrective actions will be taken by the FLSs and the subsequently modified plans re-reviewed by the Quality Group Leaders to ensure adequate changes were made and that the plan now meets Agency standards. Quality Group Leaders' audits will begin 1 Apr 2013 and results shared with the other Quality Leaders and the CMO Director/Deputy. The Operations Directorate and Region QA teams will provide targeted reviews of CMO's QASPs throughout the year through participation on the Management Internal Control Program (MICP) reviews and other reviews until CMOs have demonstrated adequate internal control of its processes and QASPs are found to be consistently compliant.

Quality Group Leaders will also conduct a review of the CMO's Quality Assurance Letters of Instruction (QALIs) for CSI contracts to ensure mandatory customer requirements are incorporated into the QASPs and that the Agency CSI requirements are being met. These reviews will be completed by 30 Jun 2013.

To ensure that the CMO has accurately and timely identified its new CSI suppliers, a procedure is being drafted to be implemented CMO-wide by 31 May 2013 that assures all CSI suppliers are properly identified in the Mechanization of Contract Management Services (MOCAS) system and tracked. This internal control tracking procedure will ensure that all CSI suppliers are properly identified and receive surveillance in accordance with DCMA GCQA Surveillance Planning policy.

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DoD IG Recommendation 1.b: Establish procedures to verify that each Quality Assurance Representative plans and reviews key manufacturing processes as required by Defense Contract Management Agency Instruction 226-13, "Process Reviews-QA," June 2011;

DCMA Response: Concur. Key manufacturing processes are now planned, identified, and reviewed in the CMO's QASPs in accordance with Agency instructions. To better facilitate all QARs transition to more focused process reviews, the CMO has and will continue to utilize its QA Engineers to assist QARs on process reviews and analyses at CSI and high risk facilities.

Additionally, during Sep 2012 a QA Engineer and two QARs conducted process reviews of the key manufacturing kitting, cutting and sewing processes for the T-11 parachute resulting in three Level II Corrective Action Requests (CARs) to the contractor for corrections in their procedures. A QA system audit was also conducted at the drone (drogue) parachute contractor on 4-6 Mar 2013 which resulted in nine Level II CARs. Contractor has taken the necessary corrective actions or corrective action plans are in work. Parachute acceptances were not impacted by the nonconformance's identified.

Finally, all DCMA Santa Ana team leaders have Individual Performance Plans that require scheduled process reviews to be tracked and reported monthly. The number of process reviews planned measured against the number completed will be monitored and reported to CMO leadership thereby ensuring that reviews are accomplished, along with any corrective actions identified at these process reviews.

DoD IG Recommendation 1.c: Establish procedures to verify that each Quality Assurance Representative performs product examinations as required by Defense Contract Management Agency Instruction 226-14, "Product Examination-QA," October 2011.

DCMA Response: Concur. DCMA Santa Ana verifies through its recurring First Line Supervisor Reviews (FLSRs) that its QARs have conducted product examinations in accordance with Agency Instruction 226-14, Critical to Quality Characteristics Checklist, and Quality Letters of Instruction (QALI) from the Services' Program Office.

Additionally, customer mandated requirements established in the T-11 parachute QALI and contractually required Critical to Quality (CTQ) inspections, and specific characteristics for the drogue parachute have been incorporated into the updated QASP. Procedures, to include FLS reviews, FLS sampling of QAR work products, and population of CMO-enterprise GCQA activity database, are in place to assure QARs continually perform product examinations identified in their QASPs. Prior to the QARs performing surveillance activities at contractors' facilities, QARs enter the surveillance activity to be performed, type and criticality of product, and other key parameters into the GCQA activity log. The FLSs utilize this log to pull samples of the QARs work products for evaluation to Agency policy. The Group Leader is scheduled to perform a verification check in April 2013 to ensure that DCMA Santa Ana is in full compliance.

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Recommendation 2: Perform a risk analysis in coordination with Services Engineers for the T-11 parachutes, oxygen masks, drone parachutes, and breathing apparatuses to identify quality assurance risk areas and to determine the need to recall or restrict the use of critical safety items previously accepted.

DCMA Response: Concur. Each contract is addressed separately below:

T-11 Parachute System: DCMA coordinated with the ESA/Customer Product Manager Soldier Clothing and Individual Equipment (PM SCIE) Program Office on 28 Feb 2013 to discuss the DoD IG report, DCMA Santa Ana's failure to comply with its QASP, and actions required.

Where DCMA was cited for falling short on providing certain inspection documentation, the Program Management Office (PMO) pulled its records, including its joint DCMA/PMO monthly parachute inspections. In this joint review, the DCMA and PMO determined that the risk was low for the following reasons:

First, since the PMO conducted joint inspections with DCMA Santa Ana monthly, the PM was satisfied that the inspections were done correctly.

Second, there have been no product rejections out of the approximately 18,000 parachutes that have been delivered under this contract.

Third, Airborne Systems (contractor) has an excellent quality system and past performance record.

Fourth, the parachutes have already been fielded to the U.S. Army for over 2 years without any reported quality or performance issues. No Product Quality Deficiency Reports (PQDRs) were received from the U.S. Army.

Additionally, the three processes that were cited by the DoD IG as not being performed have been completed. The process reviews for cutting, kitting and sewing were all completed in Sep 2012. The Quality Management System (QMS) elements have been scheduled and will be completed by June 2013. DCMA Santa Ana QA is now conducting T-11 parachute inspections on a weekly basis.

Drone (Drogue) Parachute: DCMA Santa Ana provided the DoD IG incorrect CSI contractual data. Further review of the contract for the Drone parachute page 4 of 7 states "Critical Application Item" (CAI) vice Critical Safety Item (CSI). CAI does not require as stringent surveillance as CSI. The CAI requirement was verified by the ESA (China Lake Rep), the Joint Services Critical Item Viewer, and Haystack (SAI Global).

The QAR's surveillance was based on the item being a CAI rather than a CSI which resulted in a lower Accepted Quality Level (AQL). The ESA confirmed in a 5 Mar 2013 email that "there will be no special stock screening of the on hand stock or any special search for any that has

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been issued to the services. This is a Critical Application Item (CAI) identified NSN and all quality and contractual requirements have been met." No further action required.

As mentioned above, DCMA Santa Ana has planned a review of the contracts in MOCAS that have been manually coded as CSI to be completed by 31 May 2013. The review will sample contracts to determine if this miscoding was an isolated case or something more systematic.

Oxygen Masks: DCMA Santa Ana initiated several phone calls and mailed a formal letter to the ESA on 7 Mar 2013 to convey the DoDIG findings and request that a joint risk analysis be performed to determine impact to the product that is contractually CSI. The CMO is still awaiting the ESA's response and will continue to follow-up. An internal CMO review showed that there have been zero PQDRs issued or failures identified.

Breathing Apparatus: An internal CMO review/analysis of the contractors manufacturing process was performed in Sep 2011 to determine potential risks. It was determined that the hydrostatic testing and heat treatment processes of the cylinders were the greatest risk because the O-rings cannot be seen once the product is assembled. As a result, DCMA determined that Government Source Inspection (GSI) was required at the subcontractor level for these processes. When shared with the customer's technical authority, he disagreed with DCMA's assessment and determined that a Certificate of Conformance (COC) in lieu of additional inspections of subcontractors be accepted. Letter received from the Team Leader, Life Support Systems, In-Service Support Center (PMA202J1) dated Sept. 23, 2011 concurred with the technical representative and allowed DCMA to accept product via COC. A review of DCMA records reveals there have been zero (0) PQDRs issued or failures identified by the receiver/user against the items that have shipped.

Recommendation 3: Review the actions of the first level supervisors related to inadequate oversight of nonresident QARs and, as appropriate, initiate administrative action.

DCMA Response: Concur. DCMA Santa Ana QA Group Leaders have developed their CY 2013 schedule to review completed FLSRs and the progress and results of these reviews are being reported to the CMO Director. The FLSs with the most critical and/or high risk contractors have been prioritized and are being reviewed first to ensure adequate QAR oversight.

The CMO Director established an FLSR metric to track scheduled dates vs. completion dates as well as follow-up corrective actions and completions. This provides the necessary visibility to CMO and Region senior leadership on how well the CMO is performing its FLSR and validating that the necessary corrective actions are taking place. Additionally, the Agency has developed an E-Tool application that allows the annual FLSR schedules to be inputted as well as completion dates for each QAR. DCMA Santa Ana will fully transition to this tool by its mandatory January 2014 date.

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Group and Team Leaders received an oral admonishment during their annual performance review in early 2012 for not fully executing to FLSR Agency policy. All supervisors to include the Group and Team Leaders understand that their first priority is to conduct FLSRs, follow-up to validate effective corrective actions, and take necessary personnel actions and/or retraining as required. Individual quality assurance performance plans now include a rating element to measure performance and adequacy of FLSRs as validated by the CMO Director via review of QA Group Leaders' performance and by the Group Leaders' review of FLS performance. DCMA Santa Ana's local FLSR performance metric is reviewed during both monthly performance management and quarterly functional management reviews. With these internal controls in place, along with validation by the FY 2014 Management Internal Control Program review of the FLSR process, and by any external audits of the CMO's FLSR process and results, DCMA Santa Ana believes its execution of the FLSR process will improve substantially and will be found to be compliant to Agency policy.

Recommendation 4: Establish procedures to certify annually that all first level supervisor reviews are accurate, complete and timely according to Defense Contract Management Agency Instruction 226 "First Level Supervisory Review-QA," August 2010.

DCMA Response: Partially concur. Agency FLSR policy, as updated on January 31, 2013, does not establish a requirement for CMOs to perform an annual certification. DCMA Santa Ana's CMO Director however, reviews FLSR execution for compliance, completeness and timeliness. Additionally, DCMA Santa Ana performs and reviews contracting and engineering/manufacturing FLSRs in addition to quality assurance during its monthly Performance Management Reviews (PMRs) and in more depth at its quarterly Functional Management Reviews (FMRs). These reviews began in 2012 and resulted in 100% of initial FLSRs being completed. In CY 2013, the monthly and quarterly reviews were expanded to track timeliness and follow-up on requirements established in the revised FLSR policy. The Director will document DCMA Santa Ana's performance in each annual Statement of Assurance submission to DCMA HQ.

Finally, to ensure individual accountability, all functional Group Leaders' performance plans include an FLSR rating that requires demonstration that FLSRs are performed and fully compliant to the FLSR policy. Group Leaders have scheduled and will regularly evaluate and document the adequacy of the FLSR, provide feedback to the supervisor, request needed corrective actions, and follow-up to validate effectiveness of corrective actions.



Inspector General Department *of* Defense